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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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COUNTRY Czechoslovakia

SUBJECT Drastic Drop of Currency on Black Market Since Devaluation

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1. Before the recent currency reform in Czechoslovakia, the official rate of exchange was Czech korunas 50 to US \$1. Since the currency reform, the official rate is Czech korunas 7.20 to US \$1.
2. On the black market in Prague, the value of the Czechoslovak currency had improved from Czech korunas 675 to the US dollar in January 1952 to Czech korunas 400 to the US dollar in January 1953 and to korunas 350 to the dollar in April 1953, the last month before the currency reform. At the end of May 1953, the black market in Prague reflected the extent of the revaluation very precisely, and one dollar was traded for 50 new korunas.
3. Lack of popular confidence in Czechoslovakia in the new currency is best demonstrated by the fact that its value on the black market dropped 20 per cent during the month of June 1953. The extent of the drop may be affected also by the shortage of korunas and the increased demand for dollars. At the end of June 1953 (all figures quoted refer to the last day of the month), the black market rate of exchange in Prague was US \$1 to Czech korunas 60. Other Iron Curtain currencies showed only minor fluctuations in June 1953.

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